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IDAHO PUBLIC UTILITIES COMMISSION

Barton L. Kline
Senior Attorney

February 7, 2007

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
P. O. Box 83720
Boise, Idaho 83720-0074

Re: Case No. IPC-E-06-34
In the Matter of the Application of Idaho Power Company for Approval of a Firm Energy Sales Agreement for the Sale and Purchase of Electric Energy Between Idaho Power Company and Hot Springs Windfarm LLC

Case No. IPC-E-06-35
In the Matter of the Application of Idaho Power Company for Approval of a Firm Energy Sales Agreement for the Sale and Purchase of Electric Energy Between Idaho Power Company and Bennett Creek Windfarm LLC; and

Dear Ms. Jewell:

Please find enclosed for filing an original and seven (7) copies of Idaho Power Company's Comments in Response to Idaho Windfarm LLC's Reply Comments for the above-referenced matter.

I would appreciate it if you would return a stamped copy of this transmittal letter in the enclosed self-addressed, stamped envelope.

Very truly yours,

Barton L. Kline

BLK:sh
Enclosures

BARTON L. KLINE, ISB # 1526
MONICA B. MOEN, ISB # 5734
Idaho Power Company
1221 West Idaho Street
P. O. Box 70
Boise, Idaho 83707
Telephone: (208) 388-2682
FAX Telephone: (208) 388-6936

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Attorneys for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) CASE NO. IPC-E-06-34
APPROVAL OF A FIRM ENERGY SALES)
AGREEMENT FOR THE SALE AND) IDAHO POWER COMPANY'S
PURCHASE OF ELECTRIC ENERGY) COMMENTS IN RESPONSE TO
BETWEEN IDAHO POWER COMPANY) IDAHO WINDFARM LLC'S REPLY
AND HOT SPRINGS WINDFARM LLC) COMMENTS
_____)

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) CASE NO. IPC-E-06-35
APPROVAL OF A FIRM ENERGY SALES)
AGREEMENT FOR THE SALE AND)
PURCHASE OF ELECTRIC ENERGY)
BETWEEN IDAHO POWER COMPANY)
AND BENNETT CREEK WINDFARM LLC)
_____)

COMES NOW Idaho Power Company ("Idaho Power" or the "Company"), and pursuant to R.P. 203, responds to Idaho Windfarm LLC's ("Windfarm") Reply Comments.

I. INTRODUCTION

In these two cases, Idaho Power has requested that the Commission issue orders ("the Orders") approving two firm energy sales agreements ("the Agreements")

between Idaho Power and two PURPA qualifying facilities (“QFs”), Hot Springs Windfarm LLC and Bennett Creek Windfarm LLC (“Projects”).

1. Staff Comments

Staff’s comments describe the relationship between the type of transmission service (firm vs. non-firm) acquired from Idaho Power’s Delivery Business Unit (“Delivery”) and the Projects’ entitlement to be paid the published avoided rates for firm energy under the Agreements. In its comments the Commission Staff recommended that the Commission approve the Agreements for ratemaking purposes but conditioned that recommendation with several other recommendations. First, Staff recommended that the Orders approving the Agreements include a requirement that the Projects purchase firm transmission services and agree to fund required transmission upgrades that may be necessary for Delivery to provide firm transmission of the energy to be generated by the Projects.

Staff’s comments also recommend that the Commission Orders include a provision retaining the Commission’s right to subsequently adjust the rates contained in the Agreements downward if the Projects ultimately acquire non-firm transmission service rather than firm transmission service from Delivery.

2. Idaho Windfarm Reply Comments

Idaho Windfarm objects to Staff’s recommendations concerning the inclusion of any conditions related to transmission services in the Orders. On page 2 of its Reply Comments, in the Introduction section, Idaho Windfarm states:

While Idaho Windfarms recognizes the implicit linkage between avoided cost calculations and firm transmission services, this is not the proper proceeding to deal with transmission related issues.

Idaho Windfarm argues in its Reply Comments that the Orders should be silent on any issues relating to the Projects' acquisition of transmission.

II. PAYMENT OF FIRM AVOIDED COST RATES REQUIRES FIRM TRANSMISSION SERVICE

Idaho Windfarm's comments confirm that it recognizes that the determination of avoided costs is linked to the firmness of the transmission services that QFs like the Projects purchase from Delivery or other transmission providers. (Reply Comments of Idaho Windfarm p. 2). The Projects have signed Firm Energy Sales Agreements with Idaho Power. The avoided costs contained in the Agreements were established on the assumption that the costs Idaho Power can avoid by purchasing firm energy from the Projects are financially equivalent to the fixed and variable costs of a firm, dispatchable, combined cycle combustion turbine owned and operated by Idaho Power.

At this time, Idaho Power has no reason to believe that the Projects will not acquire firm transmission to allow deliveries of firm energy to Idaho Power. Idaho Power does not know what system upgrade costs, if any, the Projects may be asked to pay so that Delivery can provide firm transmission and the Projects can deliver firm energy to Idaho Power. Finally, there is no indication that the Projects intend to do anything differently than what they have contractually committed to do, that is, deliver firm energy to Idaho Power.

All that being said, Idaho Power is in full agreement with Staff's comments that the Projects are not entitled to be paid the published avoided cost rates contained in the Agreements unless the Projects contract for firm transmission service to be provided for the full twenty (20) year term of the Agreement.

Idaho Windfarms is correct that there are numerous moving parts surrounding the question of the funding of system upgrade costs for QFs and other users of Idaho Power's transmission system. Idaho Power does not believe that the Orders should preclude Idaho Windfarms from seeking to obtain firm transmission on the best terms available.

III. NEITHER IDAHO POWER NOR IDAHO WINDFARMS SHOULD BE REQUIRED TO WAIVE THEIR RIGHTS

Idaho Windfarms' Reply Comments object to the recommendation by the Commission Staff that the Projects agree to pay for system upgrades required to obtain firm transmission service. However, Idaho Windfarms' proposed response to Staff's recommendation is for the Commission to remain silent on the relationship between firm avoided costs and firm transmission in the Orders. That resolution is not reasonable.

Idaho Power is concerned that if the Commission fails to address the link between the firmness of transmission and the entitlement to published avoided cost rates in the Orders and the Projects eventually contract with Delivery for non-firm transmission services in order to avoid paying transmission upgrade expenses, Idaho Power may be precluded from objecting. At that point, if Idaho Power objects, the Projects could argue that Idaho Power waived its right to object. The Projects would argue that the issue was presented in these dockets, the Commission Order was silent and the matter is now *res judicata* and immune from attack. That result would be manifestly unfair.

IV. IDAHO POWER'S RECOMMENDATION

Idaho Power recommends that the Commission include findings in the Orders confirming that the published avoided cost rates are only available to QFs that obtain

firm transmission for the full term of the firm energy sales agreements. The Orders should also provide that the requirement to obtain firm transmission would not preclude QFs from seeking lower cost *firm* transmission service. Finally, the Orders should provide that after the Projects have entered into transmission arrangements, then Idaho Power or Staff can ask the Commission to review the transmission arrangements to confirm that the rates contained in the Agreements are appropriate based on the type of transmission the Projects have acquired.

Respectfully submitted this 7th day of February 2007.

A handwritten signature in black ink, appearing to read 'B. L. Kline', written over a horizontal line.

BARTON L. KLINE
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 7th day of February 2007, I served a true and correct copy of the within and foregoing upon the following named parties by the method indicated below, and addressed to the following:

Scott Woodbury
Deputy Attorney General
Idaho Public Utilities Commission
472 West Washington Street
Post Office Box 83720
Boise, Idaho 83720-0074

U.S. Mail, Postage Prepaid
 Hand Delivered
 Overnight Mail
 Facsimile
 Email Scott.woodbury@puc.idaho.gov

Dean J. Miller
Attorney for Bennett Creek
McDevitt & Miller LLP
420 W. Bannock
Boise, ID 83701

U.S. Mail, Postage Prepaid
 Hand Delivered
 Overnight Mail
 Facsimile
 Email: joe@mcdevitt-miller.com



Barton L. Kline